

390 Main Street – Broker Opinion of Value

The following is Eastdil Secured's broker opinion of value for 390 Main Street located in San Francisco, CA, which is inclusive of an overview of the valuation approach and general information related to the assumptions and recent comparable transactions.

BUILDING NAME	390 Main Street	
CITY	San Francisco, California	
SUBMARKET	South Financial District / South of Market ("SoMa") neighborhood	
CROSS STREETS	Harrison Street between Main and Beale Street	
YEAR BUILT	1942, extensively renovated in the early 1990s	
# OF STORIES	8 stories	
BUILDING AREA (SF)	Approximately 497,204 square feet* <i>* Includes the potential conversion of the truck dock area on the ground floor to rentable area, which could result in an additional 29,236 square feet of office space.</i>	
PARKING	Parking available on the ground floor loading dock / former postal truck dock area. At its current configuration, the site can likely accommodate between 30 to 50 vehicles and can be expanded to accommodate additional vehicles with capital enhancements.	
SITE HISTORY	Former United States Postal Service site	
OCCUPANCY	Approximately 7% leased	
MAJOR TENANTS IN PLACE	AREA SF (% OF NRA)	EXPIRE
JUSTICE DEPARTMENT (DEA)	33,006 square feet (7% of rentable area)	June-2015 (flat rent of \$43.93 PSF)
AVG CLASS A ASKING RENTS	As of Q2-2011, Class "A" asking rates were \$42.19 PSF (South Financial District) and \$43.40 PSF (South of Market) <i>[source: the CAC Group]</i>	
CLASS "A" VACANCY	As of Q2-2011, the Class "A" vacancy rate was 9.4% in the South Financial District) and 14.1% for the South of Market neighborhoods <i>[source: the CAC Group]</i>	



Notable Property Level and Location Attributes

- 497,000 square foot asset located in an attractive setting along Harrison Street in San Francisco's South of Market neighborhood, which is home to San Francisco's largest concentration of technology oriented firms.
- Rare large floor plate building with attractive window lines and natural lighting throughout.
- One of the few remaining sites in San Francisco that can accommodate more than 100,000 square feet of contiguous office space.
- Excellent proximity to the freeway, including Interstates 80 and 280, as well as Highway 101.
- Within walking distance to the planned Transbay Redevelopment Terminal and close proximity to a deep amenity base that includes new residential towers, such as One Rincon and the Infinity Towers, various restaurants and eateries, and the Embarcadero Waterfront.

Return on Cost Valuation Approach

Below is a return on cost valuation analysis, which highlights one of the many approaches an investor would likely take in evaluating this Property. Given the Property's vacancy level and the amount of capital required to improve the building to Class "A" condition, an investor would likely approach this opportunity as though they were valuing a development opportunity. They would look at it in context of their net acquisition price + the total costs to stabilize and compare the gross figure to new development costs, as well as other comparable stabilized office sales in the marketplace.

CATEGORY	Return on Cost Pricing (\$ per square foot)		
APPROXIMATE NET PRICE:	\$215	\$225	\$235
EST. BUILDING CAPITAL COSTS:	+ \$45	+ \$45	+ \$45
TENANT IMPROVEMENTS & LEASING COMMISSIONS ⁽¹⁾ :	+ \$65	+ \$65	+ \$65
TOTAL ESTIMATED STABILIZED COST, EXCLUSIVE OF CARRY COSTS:	= \$325	= \$335	= \$345
ESTIMATED CARRY COST FOR 2 YEARS @ RATE OF 10% ⁽²⁾ :	+ \$45	+ \$47	+ \$49
TOTAL ESTIMATED STABILIZED COST, INCLUSIVE OF CARRY COSTS:	= \$370 PSF	= \$382 PSF	= \$394 PSF
WEIGHTED AVERAGE IN-PLACE RENTS IN YEAR 3 ⁽³⁾ (\$ PSF FULL SERVICE GROSS):	~\$45.00 PSF	~\$45.00 PSF	~\$45.00 PSF
ESTIMATED RETURN ON COST (BASED ON WEIGHTED AVERAGE RENTS IN YEAR 3 ⁽⁴⁾):	7.8%	7.6%	7.4%

(1) Assumes \$50 per square foot in tenant improvements and \$15 per square foot in leasing commissions.

(2) Carry costs assumes the following methodology and for simplicity purposes is applied to the net price. For example: Year 1 Carry Cost = \$215 PSF (net price) x 10% (capital cost) = \$21.50 PSF. Year 2 Carry Cost = \$215 PSF (net price) + \$21.50 (year 1 carry cost) = \$236 PSF (year 2 basis) x 10% (capital cost) = \$23.65 PSF. \$21.50 PSF + \$23.65 PSF = \$45.15 PSF.

(3) Weighted average in-place rents for Year 3 reflect average blended rents after lease-up from our ARGUS valuation analysis.

(4) Assumes approximately \$16.00 PSF in operating expenses to arrive at the net rent estimate. Return on cost is calculated by taking net rents and dividing that by the total stabilized cost basis, inclusive of carry costs.

10 Year Pro-Forma Valuation Approach & Assumptions

Below is a summary of our anticipated valuation range for 390 Main, based on an 11-year pro-forma cash flow. The following pages provide some additional detail on some key valuation considerations as well as the detailed financial schedules.

390 Main Street Valuation Summary Table

Net Price PSF	Capital Improvement PSF	Stabilized Price PSF ⁽¹⁾	Net Price	Capital Improvements	Stabilized Price ⁽¹⁾	Stabilized Year 1 ROC	Stabilized Year 3 ROC	10 Year IRR ⁽²⁾
\$235	\$108	\$343	\$117,000,000	\$53,500,000	\$170,500,000	7.4%	8.0%	8.1%
\$225	\$108	\$333	\$112,000,000	\$53,500,000	\$165,500,000	7.7%	8.2%	8.4%
\$215	\$108	\$323	\$107,000,000	\$53,500,000	\$160,500,000	7.9%	8.5%	8.7%

(1) Stabilized price excludes carry costs, but reflects \$45 per square foot in base building capital and anticipated leasing costs over the first three years.

(2) Assumes a residual price in 10 years based on a 6.75% cap rate or \$626 per square foot.

Key Valuation Considerations

No.	Category	Comments
1.	Stabilized Price Per Square Foot in the High \$300's per square foot (excludes carry costs)	<ul style="list-style-type: none"> Our net price for 390 Main in the \$215 to \$235 per square foot range (excluding carry costs) is directly comparable and further validated given it is at a slight discount to two recent transactions in San Francisco – 370 Third Street and 75-95 Hawthorne. Both assets are located in San Francisco's South Financial and South of Market districts. <ul style="list-style-type: none"> 370 Third was recently priced at approximately \$230 per square foot on a net basis (leasehold interest) or approximately \$300 per square foot (fee simple). Approximately \$45 per square foot in base building capital has been spent by the owner. The Property requires additional leasing costs, which are estimated between \$65 and \$75 per square foot. Total stabilized price is bracketed between \$365 and \$375 per square foot (excluding carry costs). 75-95 Hawthorne closed in July 2011 at a net price of approximately \$254 per square foot. An additional \$120 per square foot is required in base building work and tenant improvements associated with the Environmental Protection Agency's lease (they occupy approximately 2/3rds of the rentable area). The Property requires an additional \$10 to \$15 per square foot in estimated capital to lease-up the remaining building. Total stabilized price is bracketed between approximately \$385 and \$390 per square foot (excluding carry costs).
2.	Pricing Relative to Replacement Cost and Recent Comparables	<ul style="list-style-type: none"> Replacement cost for new office construction in San Francisco is estimated in the \$600 to \$650 per square foot range. At our estimated stabilized price for 390 Main in the \$325 to \$345 per square foot range (excluding carry costs), the Property is at a 40% to 50% discount to replacement cost. Recent transactions in San Francisco have closed in the low \$200s to upper \$400s per square foot range.

10 Year Pro-Forma Valuation Approach & Assumptions (cont.)

Key Valuation Considerations (cont.)		
No.	Category	Comments
3.	Return on Cost	<ul style="list-style-type: none"> The estimated return on cost for 390 Main is in the 7.0% to 8.0% range based on projected Year 3 weighted average in-place rents and an assumption for operating expenses of approximately \$16.00 per square foot. The return on cost metrics for two similar profile assets in San Francisco (370 Third and 75-95 Hawthorne) were in the 7.0% to 7.5% range. Stabilized, Class "A" office properties in San Francisco (assets that are +90% leased) with rents that are at or near market have been transacting at in-place cap rates and yields that are in the 5.5% to 6.5% range.
4.	Total 10 Year Return (IRR)	<ul style="list-style-type: none"> Target returns in the 8% to 10% range on an unlevered basis are consistent with deals of similar profile and of comparable renovation / repositioning.

What follows over the next few pages is an overview of the underwriting assumptions we used in our 10 year pro-forma cash flow analysis. Our modeling assumptions are based on our experience in the market and feedback we've received from investors from recently marketed opportunities. Please note that given the confidentiality of this exercise, we have not reached out to the leasing community for further validation of our assumptions. A detailed walkthrough of the Property, further discussions with the leasing community, and a comprehensive review of the BOMA measurement / space study report and capital reports would be warranted in a follow-up valuation exercise.

Market Rent Assumptions			
No.	Category	Underwritten Assumption	Comments
1.	2012 Market Rents	<ul style="list-style-type: none"> Blended rent of \$41.50 per square foot for the asset. 	<ul style="list-style-type: none"> 2012 starting rents should include some embedded growth as they reflect a blend of beginning year and end of year rents. There is also an argument for higher starting rents given South Financial District's single digit vacancy rate, rents that are still currently below 2007 levels, and double digit rent growth that we've already seen year over year. Average rents today for Class "A" space in the South Financial District and SoMa District according to the CAC Group is equal to between \$42.00 to \$43.50 PSF full service gross. There is an argument for higher 2012 rents.

10 Year Pro-Forma Valuation Approach & Assumptions (cont.)

Market Rent Assumptions			
No.	Category	Underwritten Assumption	Comments
2.	Market Rent Growth	<ul style="list-style-type: none"> 10% (2013), 10% (2014), 10% (2015), 7% (2016), and 3% (2017 & thereafter) 5 Year Compounded Annual Growth Rate from 2012 to 2017 is approximately 8% based on growth rates above. 	<ul style="list-style-type: none"> Underwritten CAGR is well below the average CAGR of approximately 20% experienced during the last three recovery periods – argument for higher market rent growth in the near term. Average rents in 5 to 6 years in +/- \$60 per square foot range are still below peak rents in 2000 and below replacement cost rents. Vacancy rates are anticipated to be in the single-digit range by next year according to most leasing brokers. Rents are anticipated to spike in the near term.
3.	Operating Expenses	<ul style="list-style-type: none"> Estimated at approximately +/- \$16.00 per square foot in total operating expenses upon stabilization. 	<ul style="list-style-type: none"> We did not have an opportunity to fully assess the operating expenses for the Property, but had utilized some expense estimates that were provided to us that upon review were in line with other opportunities we have valued or marketed in San Francisco. Depending on the vintage and size of the asset, typical San Francisco Class “A” office properties have expense loads that range from \$13.00 to as high as \$19.00 per square foot. Our expense numbers fit squarely in the middle of the range of costs for Class “A” buildings in the City. Further analysis would be warranted to determine if there will be any expense savings and efficiencies as a result of the capital upgrades that are anticipated for the asset.
4.	Tenant Improvement Allowance and Commissions	<ul style="list-style-type: none"> \$50 PSF for all 1st generation vacancy and a blend of \$30 PSF for new leases and \$15 PSF for renewals thereafter (assumes a renewal probability of 70% for weighted average purposes). Assumes \$15.00 per square foot in leasing commissions for new transactions and ½ of the cost for renewals. 	<ul style="list-style-type: none"> Includes a market estimate for what investors will likely underwrite on a \$ per square foot basis to upgrade the vacancies from warm shell condition into leasable premises. Typical costs range from \$40 to \$60 per square foot depending on the suite. Leasing commissions reflect standard market underwriting for San Francisco lease transactions.

10 Year Pro-Forma Valuation and Assumptions Overview (cont.)

Market Rent Assumptions			
No.	Category	Underwritten Assumption	Comments
5.	Building Capital Costs	<ul style="list-style-type: none"> \$45 per square foot in capital costs to occur in Year 1 of the analysis. 	<ul style="list-style-type: none"> This is capital exclusive of tenant improvement costs and leasing commissions. It is an estimated based on our historical experience. This capital reflects base building work that would need to be completed in order to ensure the asset is in leasable condition. The \$45 per square foot figure is also a catch all to incorporate the conversion of approximately 29,000 square feet of ground floor space into rentable area. Further investigation into the costs for this conversion is warranted. We recently marketed an asset for sale in San Francisco (370 3rd Street), which underwent extensive base building and system upgrades of approximately \$45 per square foot.
6.	Lease-up & Absorption Schedule	<ul style="list-style-type: none"> Assumes full lease-up of the entire project by the early part of 2014. 	<ul style="list-style-type: none"> Assumes no lease-up until later part of 2012 to accommodate the upfront capital work that's required to ensure the asset is in leasable condition.
7.	Capital Reserves	<ul style="list-style-type: none"> \$0.15 per square foot per year 	<ul style="list-style-type: none"> Capital reserves to cover any unforeseen capital requirements. Assumes no capital reserves through 2014 given the amount of base building capital costs we've assumed in our analysis.
8.	General Vacancy Factor	<ul style="list-style-type: none"> 7.0% vacancy loss 	<ul style="list-style-type: none"> A standard investor underwriting assumption for what percentage of the gross potential income may not be recoverable due to bad accounts receivables, tenant credit losses, etc... General investor underwriting for this assumption is typically in the 5% to 10% range depending on the asset profile, history, and tenant rent roll.

390 Main 10 Year Pro-Forma

390 Main San Francisco, CA

Valuation Analysis

10-year holding period beginning 01/01/2012 For Calendar Year Ending December 31,	Year 1 PSF	1 2012	2 2013	3 2014	4 2015	5 2016	6 2017	7 2018	8 2019	9 2020	10 2021	11 2022
PROJECT SIZE		497,204										
WTD AVG. PREVAILING FSG MARKET RATE PSF/YR.	In-Place	\$41.50	\$45.65	\$50.22	\$55.24	\$59.10	\$60.88	\$62.70	\$64.58	\$66.52	\$68.52	\$70.57
FSG SCHEDULED BASE RENTAL INCOME PSF/YR.	N/A	NA	NA	\$43.30	\$49.72	\$52.92	\$54.93	\$57.00	\$58.52	\$55.17	\$60.21	\$68.22
TOTAL OPERATING EXPENSES PER YEAR		NA	NA	\$15.91	\$16.72	\$17.29	\$17.82	\$18.37	\$18.90	\$19.05	\$19.77	\$20.76
INCOME												
Potential Rental Revenue	\$41.66	\$20,714,216	\$22,524,522	\$23,600,363	\$24,373,117	\$25,250,059	\$25,985,623	\$26,742,267	\$27,587,103	\$30,169,604	\$33,032,952	\$33,940,037
Less Absorption & Turnover Vacancy	(\$38.34)	(19,060,545)	(13,688,293)	(2,611,715)	(455,784)	0	0	0	(317,030)	(3,936,696)	(3,560,204)	(582,326)
Scheduled Base Rental Revenue	\$3.33	1,653,671	8,836,229	20,988,648	23,917,333	25,250,059	25,985,623	26,742,267	27,270,073	26,232,908	29,472,748	33,357,711
Expense Reimbursement Revenue	\$0.00	0	213,176	542,146	802,498	1,063,300	1,327,110	1,598,814	1,824,234	1,196,815	463,262	563,256
Potential Gross Income	\$3.33	\$1,653,671	\$9,049,405	\$21,530,794	\$24,719,831	\$26,313,359	\$27,312,733	\$28,341,081	\$29,094,307	\$27,429,723	\$29,936,010	\$33,920,967
General Vacancy	\$0.00	0	0	0	(1,306,509)	(1,841,935)	(1,911,891)	(1,983,876)	(1,741,764)	0	0	(1,832,905)
Effective Gross Income	\$3.33	\$1,653,671	\$9,049,405	\$21,530,794	\$23,413,322	\$24,471,424	\$25,400,842	\$26,357,205	\$27,352,543	\$27,429,723	\$29,936,010	\$32,088,062
OPERATING EXPENSES												
Cleaning	\$0.13	64,214	858,471	1,199,748	1,293,120	1,343,058	1,383,350	1,424,850	1,460,351	1,421,665	1,475,616	1,590,375
Utilities	\$0.70	347,828	1,073,089	1,499,685	1,616,400	1,678,822	1,729,187	1,781,063	1,825,439	1,777,081	1,844,520	1,987,968
General Building	\$2.24	1,113,737	2,432,571	2,505,548	2,580,714	2,658,136	2,737,880	2,820,016	2,904,616	2,991,755	3,081,508	3,173,953
Management Fee	\$0.10	49,610	271,482	645,924	702,400	734,143	762,025	790,716	820,576	822,892	898,080	962,642
Insurance	\$1.50	745,806	768,180	791,226	814,962	839,411	864,594	890,531	917,247	944,765	973,108	1,002,301
Property Tax	\$2.40	1,194,929	1,230,777	1,267,700	1,305,731	1,344,903	1,385,250	1,426,808	1,469,612	1,513,700	1,559,111	1,605,885
Total Operating Expenses	\$7.07	\$3,516,124	\$6,634,570	\$7,909,831	\$8,313,327	\$8,598,473	\$8,862,286	\$9,133,984	\$9,397,841	\$9,471,858	\$9,831,943	\$10,323,124
In-Place NOI : 01/01/12												
NET OPERATING INCOME	N/A	-\$3.75	-\$1,862,453	\$2,414,835	\$13,620,963	\$15,099,995	\$15,872,951	\$16,538,556	\$17,223,221	\$17,954,702	\$17,957,865	\$20,104,067
LEASING COSTS												
6.8% Leased												
Tenant Improvements	\$2.96	1,472,650	12,752,123	9,926,416	757,397	0	0	0	0	5,717,578	6,830,057	0
Leasing Commissions	\$0.89	441,795	3,714,210	2,806,980	321,809	0	0	0	0	2,095,558	2,430,384	0
Capital Reserves	\$0.00	0	0	74,581	76,818	79,123	81,496	83,941	86,459	89,053	91,725	94,476
Capital Improvements	\$42.35	21,058,605	0	0	0	0	0	0	0	0	0	0
Total Leasing Costs	\$46.20	\$22,973,050	\$16,466,333	\$12,807,977	\$1,156,024	\$79,123	\$81,496	\$83,941	\$86,459	\$7,902,189	\$9,352,166	\$94,476
NET CASH FLOW	-\$49.95	-\$24,835,503	-\$14,051,498	\$812,986	\$13,943,971	\$15,793,828	\$16,457,060	\$17,139,280	\$17,868,243	\$10,055,676	\$10,751,901	\$21,670,462
UNLEVERAGED YIELD ANALYSIS												
Stabilized NOI Yields	-1.0%	1.2%	6.3%	6.9%	7.3%	7.6%	7.9%	8.2%	8.2%	9.2%	10.0%	
Stabilized NCF Yields	-13.2%	-6.9%	0.4%	6.4%	7.3%	7.6%	7.9%	8.2%	4.6%	4.9%	10.0%	

PRICING MATRIX								
NET PRICE PSF	CAPITAL IMPR. PSF (1)	STBL. PRICE PSF (2)	NET PRICE	CAPITAL IMPROVEMENTS	STBL. PRICE RANGE	STBL. YEAR 1 ROC (3)	STBL. YEAR 3 ROC (3)	IRR Year 10
\$235	\$108	\$343	\$117,000,000	\$53,500,000	\$170,500,000	7.4%	8.0%	8.1%
\$225	\$108	\$333	\$112,000,000	\$53,500,000	\$165,500,000	7.7%	8.2%	8.4%
\$215	\$108	\$323	\$107,000,000	\$53,500,000	\$160,500,000	7.9%	8.5%	8.7%
Exit PSF Cap Rate								\$626 6.75%

* Total square footage includes the potential to convert the site's current loading dock / parking area into rentable square footage (would add 29,236 square feet to total rentable area).

(1) Capital Improvement amount equates to an estimate of \$45 PSF and leasing costs over 1st three years.

(2) Stabilized pricing includes annual leasing costs from years 1-3 and \$45 PSF of initial Capex. Stabilized price excludes carry costs.

(3) Assumes Full Service Gross Rents- stabilized operating expenses of \$16/ PSF. Year 1 ROC is based on projected market rents.

** Taxes assessed based on value range.

***All IRR and Discount Rates are based on monthly compounding

No representation or warranty, expressed or implied, is made as to the accuracy of any of the information, projections or conclusions contained herein, and the same is submitted subject to errors and omissions, without any obligation to update or correct, or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

390 Main Supplement to the Cash Flow (Assumption Overview Page)

390 Main Assumptions

Net Building Rentable Area (Leased)	497,204
Occupancy	6.6%
	<u>Office</u>
Square Feet	497,204
Percent of Total Office Space	100.0%
2012 Market Rent (\$ PSF)	
Annual Rent	\$41.50
Monthly Rent	\$3.46
Market Rent Increases	
2013	10%
2014	10%
2015	10%
2016	7%
Thereafter (2017+)	3%
Rent Increases During Lease Term	\$1.00 PSF/ Yr
Lease Term	7 years
Renewal Probability %	70.0%
Reimbursement Method	FSG
Downtime (months)	9
Tenant Improvements (\$ PSF)	
First Generation	\$50.00
New	\$30.00
Renewal	\$15.00
Leasing Commissions (\$ PSF) (1)	
New	\$15.00
Renewal	\$7.50
In Place Tenant	
	Tenant Size Expiration Date Rent (\$ PSF/YR.)
	DEA Lease 33,006 Jun-15 \$43.93 Flat rent through lease term.
	Total Vacant 33,006
Lease Up of Currently Vacant Space	
	Suite Size Lease-up Date Term (Years) TI's (\$ PSF) LC'S (\$ PSF)
	Ground Suite 1 36,354 Feb-13 7 years \$50.00 \$15
	Ground Suite 2 29,236 Feb-13 7 years \$50.00 \$15
	1st Floor Suite 1 28,920 May-13 7 years \$50.00 \$15
	1st Floor Suite 2 28,920 May-13 7 years \$50.00 \$15
	2nd Floor Suite 1 31,023 Aug-13 7 years \$50.00 \$15
	2nd Floor Suite 2 31,023 Aug-13 7 years \$50.00 \$15
	3rd Floor Suite 1 31,069 Nov-13 7 years \$50.00 \$15
	3rd Floor Suite 2 31,069 Nov-13 7 years \$50.00 \$15
	4th Floor Suite 1 31,141 Feb-14 7 years \$50.00 \$15
	4th Floor Suite 2 31,141 Feb-14 7 years \$50.00 \$15
	5th Floor Suite 1 62,446 Jun-14 7 years \$50.00 \$15
	6th Floor Suite 1 62,404 May-14 7 years \$50.00 \$15
	Bal 7th Floor 29,453 Nov-12 7 years \$50.00 \$15
	Total Vacant 464,199
Expense/General Vacancy Assumptions	
General Vacancy (% of PG) (2)	7.00%
Management Fees (% of EGR)	3.00%
Structural Reserves starting in 2014 (\$ PSF/Year)	\$0.15
Building Capital (PSF)	\$45.00
Annual Growth Rates	
General Inflation (Including Expenses)	3.00%
Real Estate Tax Growth Rate	2.00%

(1) LC's do not grow with inflation.

(2) Reduced by absorption and turnover vacancy.

390 Main Comparison with Recent South Financial District / SoMa Transactions



390 Main Street
South Financial District / SoMa

Net Price Range.....\$112,000,000
Size*: 497,204 sq. ft.
% Leased: 7%
Net Price Per SF: ~\$225
Capital Costs to Stabilize Per SF: ~\$108
Total Stabilized Basis Per SF (before carry):..... ~\$333
Stabilized ROC: Mid 7% to Mid 8% range
** Size includes the potential loading dock / post office truck area that could be converted to rentable area.*

- Former United States Postal Building.
- Large average floor plates of approximately 60,000 square feet.



370 3rd Street
South Financial District / SoMa

Anticipated Acquisition Price: ~\$95,000,000
Size: 409,783 sq. ft.
% Leased: 9%
Acquisition Price Per SF (leasehold): ~\$230
Ground Lease Conversion Cost Per SF: ~\$70
Leasing Costs to Stabilize Per SF: ~\$65
Total Stabilized Basis Per SF (before carry):..... ~\$365
Stabilized ROC: ~7.0%
Status: Buyer Selected

- There is a ground lease on the site that can be purchased for a fixed fee in 2013.
- More than \$45 PSF has already been spent into the Property in basic base building work and capital enhancements of which include elevator upgrades, new chillers, restroom renovations, window replacement, demolition work, and HVAC / Life Safety upgrades.
- Large 61,000 square foot average floor plates.



Hawthorne Plaza (75-95 Hawthorne)
South Financial District / SoMa

Acquisition Price:.....~\$112,000,000
Size: 441,442 sq. ft.
% Leased: 74%
Acquisition Price Per SF: ~\$254
Capital Costs to Stabilize Per SF:..... ~\$130
Total Stabilized Basis Per SF (before carry): ~\$384
In-Place Cap Rate: low 6% range
Year 6 Stabilized ROC: low 7% range
Status: Closed July 2011

- Regional Headquarters location for the Environmental Protection Agency, who recently committed to a 15 year renewal at the Property subject to extensive capital enhancements and upgrades.
- The EPA occupies over 2/3rds of the total rentable area.

SAN FRANCISCO OFFICE MARKET STATISTICS (SUMMARY AS OF JULY 2011)

	Total NRA	Vacancy Rate Progression				Avg. Class "A" Asking Rate Progression			
		Total Vacancy (Q1-08)	Total Vacancy (Q1-09)	Total Vacancy (Q1-10)	Total Vacancy (7-2011)	Avg. Asking Rate (Q1-08)	Avg. Asking Rate (Q1-09)	Avg. Asking Rate (Q1-10)	Avg. Asking Rate (7-2011)
North Financial District	23,747,944	7.9%	13.0%	15.5%	13.4%	\$50.41	\$39.97	\$36.27	\$41.03
South Financial District	21,221,992	6.7%	13.1%	13.9%	9.4%	\$51.33	\$39.08	\$34.00	\$42.19
CBD	44,969,936	7.4%	13.1%	14.7%	11.5%	\$50.79	\$39.55	\$35.26	\$41.48
North Waterfront	2,584,376	6.6%	14.7%	17.9%	12.8%	\$39.32	\$29.68	\$29.26	\$36.23
SOMA	7,219,175	17.0%	23.6%	25.5%	14.1%	\$38.05	\$34.30	\$28.59	\$43.40
TOTAL	54,773,487	8.6%	14.5%	16.3%	11.9%	\$47.10	\$37.97	\$33.57	\$41.51

Source: The CAC Group

Notable Market Highlights

- **Rents are Moving at an Accelerated Pace** - Rents in the CBD declined over 30% from the peak of the last cycle bottoming in the low to mid \$30s per square foot in the early part of 2010. Although average rents in the CBD are still well below peak levels, overall rents in the CBD are up by more than 18% year over year and by more than 14% over the last 7 months.
- **SoMa Growth Story** – SOMA continues to be one of the most active submarkets in San Francisco with rent growth of 50% year over year. Rents are up by 35% since the start of January 2011. SoMa rents are higher than average rents in the CBD.
- **South Financial District faring better than the North Financial** - The South Financial District continues to outperform the North Financial District in terms of vacancy (9.4% vs, 13.4%). The momentum in SOMA is starting to carry over into that submarket.
- **Tightening Vacancy Rate** – The South Financial District is currently the only submarket with a single digit Class "A" vacancy rate highlighting the strength and resiliency of the submarket. As a result South Financial District rents are once again higher than North Financial District rents.
- **Robust Inventory of Tenant Requirements** – Over 3.5 million square feet of gross tenant requirements in the market, which reflect 6% of Downtown San Francisco's inventory. The surge in activity will continue to push vacancy rates down in the near term as high quality opportunities are absorbed.
- **Year to Date Absorption** – The first quarter of 2011 generated over 350,000 square feet of net absorption equating to more than 3x the absorption generated in all of 2010. Unofficial second quarter statistics show year to date net absorption that is now more than 700,000 square feet.